



# **INTERNAL AUDIT DIVISION WORK PLAN**

## **FISCAL YEAR 2011-2012**

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# **Audit Work Plan for Fiscal Year 2011-2012**

## **Table of Contents**

	<b><u>Page</u></b>
• Mission & Vision Statements; Goals & Objectives	3
• Internal Audit Division Audit Services	4
• Internal Audit Division Time Allocation	5
• FY 2011-2012 Primary Audit Work Plan	6

# **Audit Work Plan for Fiscal Year 2011-2012**

## **MISSION STATEMENT**

To provide an independent and objective appraisal of activity for management and to furnish management with the proper analyses, recommendations and information concerning the activities reviewed.

## **VISION STATEMENT**

To promote positive change throughout City's operations while ensuring that public resources are used effectively, efficiently, and economically.

## **GOALS & OBJECTIVES**

The goals of Internal Audit are to promote accountability to the public and to improve efficiency and effectiveness throughout the City of Wilmington. Our objective is to reduce risks and promote compliance with management and City policies.

## **CITY OF WILMINGTON'S CORE VALUES**

Service, Professionalism, Respect, Safety & Integrity

# Audit Work Plan for Fiscal Year 2011-2012

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The City of Wilmington's Internal Audit Division performs work for and under the direction of the City of Wilmington's City Manager. The 2011-2012 Fiscal Year Internal Audit Work Plan is designed to satisfy the needs of the City Manager, and outline the services that the division plans to initiate and/or complete during the 2011-2012 Fiscal Year.

The Audit Work Plan is a working document, in that the City Auditor is authorized to perform work not specified in the Audit Work Plan when deemed necessary in her professional judgment.

## **AUDIT SERVICES**

The division complies with generally accepted government auditing standards that provide a framework for conducting high quality audits and attestations engagements with competence, integrity, objectivity, and independence. Audit Services Include:

### **Program and Efficiency Audits**

Conducted to measure the extent to which a program is either achieving its goals and objectives or whether the City departments are acquiring, protecting, and using their resources in the most productive manner to achieve program objectives.

### **Financial Audits**

Conducted to provide an independent report on whether the entity's financial information is presented fairly and in accordance with recognized criteria, provide users with statements concerning the reliability of information, and provide information about internal control, compliance with laws and regulations, and provisions of contracts and grant agreements as they related to financial transactions, systems, and processes.

## **ADDITIONAL SERVICES**

In addition to Audit Services, the Internal Audit Division provides the following additional services.

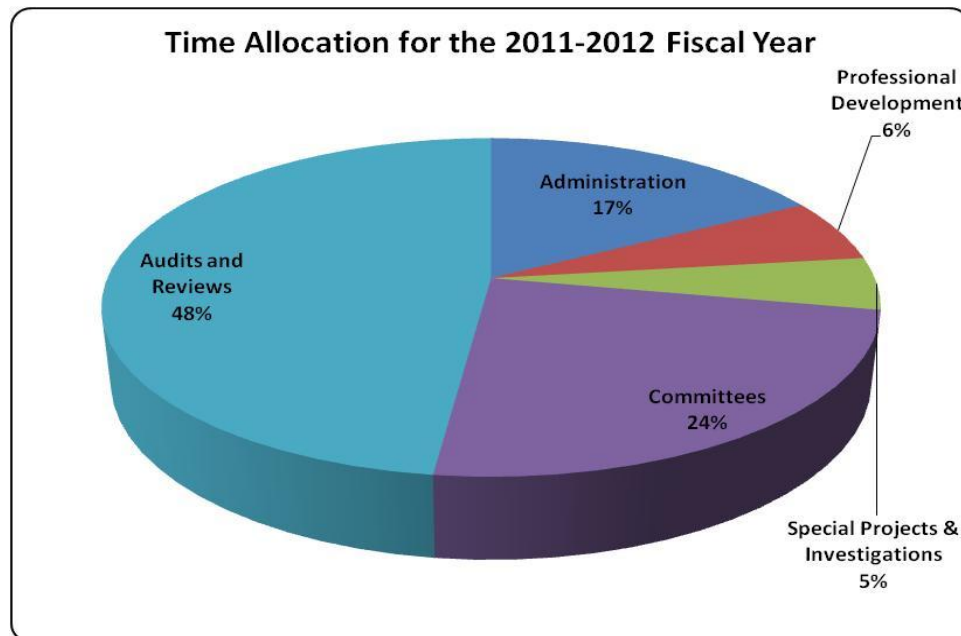
### **Fraud Prevention and Detection**

The City Auditor is responsible for operating the City's Fraud, Waste and Abuse Hotline. Investigations are conducted in accordance with the City's Core Values of Service, Respect, Professionalism, Safety and Integrity. These core values set the standards for the City of Wilmington's employees and are designed to promote ethical behavior. In the event an investigation is necessary to either substantiate or disprove allegations pertaining to fraud, waste, or abuse related to the City of Wilmington, the City Auditor will perform all necessary investigations in accordance with the City's core values. The City Auditor will provide City management and employees' with tools, techniques, and trainings that promote high ethical standards and emphasize control and protection of City resources.

### **Management Assistance / Special Projects**

The City Auditor performs certain audits and non-audit services (professional services that are not performed in accordance with generally accepted government auditing standards) at the request of management to assist in carrying out their responsibilities. Non-audit services may include, but are not limited to, providing technical advice, such as, participating on committees, management teams, and focus groups. The City Auditor provides Management Assistance Services based on request (written or oral) with consideration of the impact on auditor independence.

# Audit Work Plan for Fiscal Year 2011-2012



## AUDIT TIME ALLOCATION

The Internal Audit Division's time is allocated to several areas throughout each Fiscal Year. Internal Audit's time is not solely for the completion of audits and reviews. Audits and Reviews are the most important but other areas of importance must be completed for the Division to be successful. These areas of importance include: Professional Development, Participation in several City of Wilmington Committees, such as the Audit Committee, completion of Administrative tasks, and completion of any special assignments that are brought to Internal Audit either from external sources or internal sources throughout the year. You can see from the graph above the time allocation percentages for the Internal Audit Division for the 2011-2012 Fiscal Year.

### Administration

Administrative Tasks for the Internal Audit Division / Internet web-page and Intranet updates / City of Wilmington Emergency Management Operations Liaison Officer / Stormwater Division Facilitator

### Professional Development

On-going Professional Development for the Internal Audit Division. Professional Development includes future certifications and training possibilities. Future certifications include CIA (Certified Internal Auditor) and CPA (Certified Public Accountant) professional certifications. Future training includes continuing education for Internal Auditor and attendance at local or regional conferences as well as necessary NIMS training for the Emergency Operations Liaison Officer as required by FEMA.

### Special Projects & Investigations

Special assignments or investigations brought to Internal Audit from an internal (another department/division employee) or external (citizen/taxpayer) source. Special Projects can also include City of Wilmington Employee training hosted by the Internal Audit Division. Example: Fraud Detection and Awareness Bi-Annual Training and Bi-Annual Risk Assessments for the Organization.

### City of Wilmington Committees

Audit Committee / Safety Committee / Wellness Committee / VAL Committee / Identity Theft Committee / Substance Abuse Committee / CFPUA & City of Wilmington Stormwater Committee / IT Governance Committee

### Audits and Reviews

Financial Audits (Analytics, Fieldwork, Report Preparation); Financial Audit Reviews/Follow ups (Report Follow ups); Loan Confirmations; Program Efficiency Audits (Analytics, Fieldwork, Report Preparation)

# Audit Work Plan for Fiscal Year 2011-2012

## PRIMARY WORK PLAN

2011 - 2012 Audit Area	Reason for Selection
<b>1. Audit Committee Meetings</b> <ul style="list-style-type: none"> <li>• August 15, 2011</li> <li>• September 19, 2011 (Special Meeting)</li> <li>• October 17, 2011</li> <li>• January 17, 2012</li> <li>• March 19, 2012</li> <li>• May 21, 2012</li> <li>• June 18, 2012</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Committee Meetings will be held as needed by City Manager and Committee Chair.</li> <li>• No July and December meetings will be held because City Council only has one meeting that during those months. The July meeting will be pushed until August and the December meeting is pushed until January.</li> <li>• <i>Meetings are currently scheduled for every other month, on the third Monday's of the month, immediately following the City Council agenda briefings.</i></li> </ul>
<b>2. Wilmington Police Department's Special Investigative Fund Audit (Narcotics Division) for the Fiscal Year 2010-2011</b>	<ul style="list-style-type: none"> <li>• This was pushed as Internal Auditor was out on FMLA</li> <li>• Must Audit the Police Department's Special Investigative Fund on an annual basis per W.P.D. Internal Directive / Policy.</li> </ul>
<b>3. Wilmington Police Department's Special Investigative Fund Audit (Narcotics Division)</b>  <i>*can be completed after 6.30.2012 to encompass the entire fiscal years transactions</i>	<ul style="list-style-type: none"> <li>• Must Audit the Police Department's Special Investigative Fund on an annual basis per W.P.D. Internal Directive / Policy.</li> </ul>
<b>4. Annual Loan Confirmations</b> <ul style="list-style-type: none"> <li>• December 31, 2011</li> </ul>	<ul style="list-style-type: none"> <li>• Annual loan confirmations will now being performed (as of 12.31.11) due to the implementation of the City's new HTE loan module (implemented 5.1.11), which allows for physical monthly statements to be sent to all loan account holders. Any incorrect information, including balances, address, etc will be identified during this monthly process, eliminating the need for quarterly confirmations.</li> </ul>
<b>5. Fixed Asset Inventory Audit</b> (Finish from 10-11 Fiscal Year)	<ul style="list-style-type: none"> <li>• This audit performs the task of identifying if there are adequate internal controls surrounding the fixed asset inventory for the City of Wilmington.</li> <li>• A sample of fixed assets will be pulled from HTE and tested to ensure the assets are being maintained properly and at fair value. Also the processes and procedures will be reviewed to determine if controls are in place and working effectively.</li> </ul>
<b>6. HR Audit</b>  <i>*have not pinpointed exact area of audit at this time</i>  <i>*brought forward from FY 10-11 workplan</i>	<p>Here are some options:</p> <ul style="list-style-type: none"> <li>• <b>Employee Badges</b> <ul style="list-style-type: none"> <li>○ New employee badge retrieval</li> <li>○ Badge process</li> <li>○ Badge Security access (giving and eliminating)</li> <li>○ Lost badge fees</li> <li>○ Routine badge maintenance</li> </ul> </li> <li>• Hiring employees</li> </ul>

	<ul style="list-style-type: none"> <li>• Maintenance and security of employee sensitive personal information and employment documentation</li> <li>• Terminating employees</li> <li>• Other related HR procedures surrounding the effectiveness of the HR function</li> </ul>
<b>7. IT Audit</b>  <i>*this was delayed from prior year audit workplan</i>	<ul style="list-style-type: none"> <li>• IT Audit has never been performed before at the City. This audit will take a significant amount of time however the findings could be substantially large and highly critical.</li> <li>• An IT Audit is critical at this point as the City tries to transition to more of an automated and paperless culture.</li> <li>• An information technology audit, or information systems audit, is an examination of the controls within an information technology infrastructure.</li> <li>• An IT audit is the process of collecting and evaluating evidence of an organization's information systems, practices, and operations. The evaluation of obtained evidence determines if the information systems are safeguarding assets, maintaining data integrity, and operating effectively and efficiently to achieve the organization's goals or objectives.</li> <li>• The primary function of an IT Audit are to evaluate the system's efficiency and security protocols, in particular, to evaluate the organization's ability to protect its information assets and properly dispense information to authorized parties. The IT Audit's Agenda should include the following questions: <ul style="list-style-type: none"> <li>○ <i>Availability</i> – Will the organization's computer systems be available for the business at all times when required?</li> <li>○ <i>Confidentiality</i> – Will the information systems be disclosed only to authorized users?</li> <li>○ <i>Integrity</i> – Will the information provided by the system always be accurate, reliable, and timely?</li> </ul> </li> <li>• <b>IT Security (review of all security controls, weaknesses, compensating controls, etc)</b> <ul style="list-style-type: none"> <li>○ System Access (giving &amp; terminating to <u>one</u> of the City's systems)</li> <li>○ System Recovery (Contingency Plans)</li> <li>○ Data backup</li> <li>○ Data storage</li> <li>○ Data security</li> </ul> </li> </ul>
<b>8. Finance Department – Payroll Audit</b>	<ul style="list-style-type: none"> <li>• Payroll Audit – have not specified which procedure(s) yet to pinpoint, options listed below.</li> </ul> <p><u>Here are some options:</u></p> <ul style="list-style-type: none"> <li>• Entering new employees into the HTE system</li> <li>• Terminating of employees in the HTE system</li> <li>• Watching one employee being processed through entire payroll process from beginning to end for payroll purposes (just use an existing employee to show how hours are</li> </ul>

	<p>entered...from Kronos or manually...and the checks and balances that go into ensuring the amount of hours being paid are accurate all the way through until the employee receives their paycheck)</p> <ul style="list-style-type: none"> <li>• Accuracy of Payroll Records (new, term, promotions)</li> <li>• Assessment of Procedures for payroll pay changes</li> </ul>
<b>9. Parking Processes</b>	<ul style="list-style-type: none"> <li>• The City's Parking Processes and Procedures were identified as one area of possible review by City Manager in June 2010 during a Departmental Meeting and by City's Parking Manager in July 2011.</li> </ul>
<b>10. Internal Trainings for City of Wilmington Employees</b> - Add time for any additional trainings that are needed from the Internal Audit Division <u>to the Employees within the City of Wilmington</u> <ul style="list-style-type: none"> <li>• Continuous updates in regard to compliance with the Federal Trade Commission's (FTC) "Red Flags Rules"</li> </ul>	<ul style="list-style-type: none"> <li>• Fraud Policy Trainings in FY 08-09</li> <li>• Cash Handling Training FY 09-10</li> <li>• "Red Flags Rule" Training FY 09-10; FY 10-11 was reviewed quarterly using Brainshark and logged as required by the FTC. As of FY 11-12, all "Red Flags Rules" trainings will be reviewed and logged annually.</li> <li>• Proposed Fraud Awareness Training for the 2011-2012 Fiscal Year (using Brainshark) – <i>just a refresher training possibly</i></li> </ul>
<b>11. Internal Audit Division Newsletters (4 total)</b>  <b>Fall Edition 2011</b> (September 30, 2011)  <b>Winter Edition 2011-2012</b> (December 31, 2011)  <b>Spring Edition 2012</b> (March 31, 2012)  <b>Summer Edition 2012</b> (June 30, 2012)	<ul style="list-style-type: none"> <li>• This form of communication is efficient to all staff because it communicates in a fast and in an inexpensive way. It communicates important updates on the following topics: strong internal controls, accounting standards, upcoming audits, recently released audit report and related findings, recently released policies/procedures by Internal Audit Division. It communicates to the entire organization what the Internal Audit Division is about and keeps an awareness out there that we are still here and wondering around. It keeps everyone on their toes! =)</li> <li>• I have gotten great feedback from people about the Newsletter...they're a big hit!</li> </ul>
<b>12. Professional Development</b>  <i>*Additional Training / Professional Development opportunities for City Auditor as determined by City Manager</i>	<ul style="list-style-type: none"> <li>• NC Spring Finance Officer's Conference (March 2012)</li> <li>• Other Webinar (or Web Based) Trainings</li> </ul>
<b>13. Professional Development</b> (Educational Goals)	<ul style="list-style-type: none"> <li>• Continue studying with the future goal of passing the CIA (Certified Internal Auditor) Exam</li> <li>• Various other trainings</li> </ul>
<b>14. Special Projects &amp; Investigations</b>	<ul style="list-style-type: none"> <li>• Additional time allocated for special projects and other investigations (<i>Prior Year examples are shown below</i>)</li> <li>• 08-09 completed Time &amp; Attendance Investigation for W.P.D.</li> <li>• 08-09 completed Finance Department Check</li> </ul>



	<p>Sample Testing</p> <ul style="list-style-type: none"> <li>• 09-10 completed cash count and fund reconciliation for the W.P.D.'s Special Investigative Fund due to employee turnover</li> <li>• 10-11 Finance Department's investigation into Fleet Management</li> </ul>
<b>15. Surprise Petty Cash Counts</b> (random as needed)	<ul style="list-style-type: none"> <li>• Surprise Petty Cash counts at various random locations throughout City.</li> <li>• Perform surprise Movie Ticket Reconciliation throughout the year if necessary.</li> </ul>
<b>16. Red Flags Rule – Annual Follow Up (on-going monitoring)</b>	<ul style="list-style-type: none"> <li>• Continue follow-up on the red flag rules – scheduled at least one meeting for the Identity Theft Committee during year; usually in September.</li> <li>• Effective now as of 12.31.2010</li> <li>• Ensure all necessary employees have completed brainshark training for compliance purposes on an annual basis</li> </ul>
<b>17. On-going Updates for Internal Audit Webpage and Internal Audit Intranet page</b>	<ul style="list-style-type: none"> <li>• Continually update Internal Audit webpage / intranet page as needed</li> </ul>
<b>18. Annual Independent External Auditor - requests in regard to the June 30, 2011 Annual Independent Audit.</b>	<ul style="list-style-type: none"> <li>• The City of Wilmington has new external auditors for the June 30, 2011 Fiscal Year, McGladrey &amp; Pullen. The City's external independent audit has been previously performed by the same firm, for the last 15 years.</li> <li>• This will be the second year that McGladrey &amp; Pullen has performed the audit for the City of Wilmington.</li> </ul>
<b>19. On-going updates to the 2011-2012 Fiscal Year Internal Audit Annual Work Plan and Preparation of the 2012-2013 Fiscal Year Work Plan.</b>	<ul style="list-style-type: none"> <li>• Adjustments will be made to the Fiscal Year 2011-2012 Internal Audit Workplan as warranted and agreed upon between City Manager and Internal Audit.</li> </ul>